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Supreme Court, U.S.
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No. 06-1275

IN THE
Supreme Court of the United States

SRAM CORPORATION,
Petitioner,

v.

AD-II ENGINEERING, INC.,
Respondent.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

OPPOSITION TO PETITON FOR WRIT OF CERTIORARI

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STATEMENT OF CORPORATE OWNERSHIP

AD-II Engineering, Inc., is a corporation of the Republic of Taiwan. No parent corporation or publicly held company owns 10% or more of AD-II Engineering's stock.

TABLE OF CONTENTS

Page

STATEMENT OF CORPORATE OWNERSHIP i

SUMMARY OF ARGUMENT 1

I. THE QUESTIONS PRESENTED ARE HYPOTHETICAL 2

II. THE QUESTIONS PRESENTED HAVE BEEN WAIVED 3

III. THE PETITION LACKS LEGAL ARGUMENT OR JURISPRUDENTIAL RATIONALE 6

CONCLUSION 10

TABLE OF AUTHORITIES

FEDERAL CASES

Atlantic Thermoplastics Co. v. Faytex Corp.,
970 F.2d 834 (Fed. Cir. 1992).....8

Dickinson v. Zurko,
527 U.S. 150 (1999).....7

Cybor Corp. v. FAS Techs, Inc.,
138 F.3d 1448 (Fed. Cir. 1998) (*en banc*) 3

In re American Academy of Science Technology Center, 367 F.3d 1359 (Fed. Cir. 2004).....2, 8, 9

In re Bond,
910 F.2d 831 (Fed. Cir. 1990).....2

In re Yamamoto,
740 F.2d 1569 (Fed. Cir. 1984).....9

Phillips v. AWH Corp.,
415 F.3d 1303 (Fed. Cir. 2005).....8

Teleflex, Inc. v. Ficosa N. Am. Corp.,
299 F.3d 1313 (Fed. Cir. 2002).....4

SRAM Corp. v. AD-II Eng'g, Inc.,
326 F. Supp.2d 903 (N.D. Ill. 2004) 4

SRAM Corp. v. AD-II Engineering, Inc.,
465 F.3d 1351 (Fed. Cir. 2006).....2, 3, 6

Solomon v. Kimberly-Clark Corp.,
216 F.3d 1372 (Fed. Cir. 2000).....9

SunRace Roots Enterprises v. SRAM Corp.,
336 F.3d 1298 (Fed. Cir. 2003).....4, 6

FEDERAL STATUTES

5 U.S.C. § 706 7

28 U.S.C. § 1254(1) 7

35 U.S.C. § 112.....9

35 U.S.C. § 305.....9

SUMMARY OF ARGUMENT

SRAM asserts that the Courts of the United States should defer to the constructions given patent claims by the United States Patent and Trademark Office ("PTO"). In this instance, however, the Federal Circuit determined that the PTO erred in its claim construction, and SRAM did not seek review of that ruling. SRAM's questions regarding judicial deference are entirely hypothetical because the PTO claim construction is invalid.

SRAM has waived the Questions Presented, both because it asserted the contrary below when it agreed that the Federal Circuit must apply a "de novo" standard of review, and because it never raised or preserved its present position.

SRAM presents no legal argument. Its policy argument is so divorced from jurisprudence that SRAM not only completely fails to mention the controlling statutory directive, the Administrative Procedures Act, it fails to recognize that the federal courts cannot defer to the PTO claim constructions in the first instance because the PTO construes patent claims under different legal standards from those used by the federal courts.

I. THE QUESTIONS PRESENTED ARE HYPOTHETICAL

The Federal Circuit ruled that the PTO erred in its claim construction both for procedural and for substantive reasons. Procedurally, the PTO failed to give the claim terms their broadest reasonable meaning, and substantively it made the same claim construction errors as did the district court.[1] Independently, the Federal Circuit noted it was not bound by the PTO's claim construction because it reviews district court claim constructions *de novo*. *SRAM Corp. v. AD-II Eng'g, Inc.*, 465 F.3d 1351, 1359 (Fed. Cir. 2006) ("*SRAM Corp.*").

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[1] SRAM also urges that we adopt the district court's construction of claim 16 as providing for "precision indexed downshifting" on the ground that, after three reexamination proceedings, the Patent Examiner -- like the district court -- construed claim 16 as providing "precision indexed downshifting" as a means to take up lost motion, and confirmed its patentability over prior art gear-shifting devices that require a user to manually overshift. This argument is not persuasive. While the Patent and Trademark Office (the "PTO") generally gives claims their broadest reasonable interpretation consistent with the specification, see *In re American Academy of Science Tech Center*, 367 F.3d 1359, 1364 (Fed. Cir. 2004); *In re Bond*, 910 F.2d 831, 833 (Fed. Cir. 1990), paradoxically in this case, the PTO construed the claim narrowly, rather than broadly, by reading in the same limitation as did the district court. In doing so, the PTO erred for the same reasons as did the district court. The Patent Examiner's actions thus provide no support for SRAM's argument. Furthermore, this court is not bound by the PTO's claim interpretation because we review claim construction de

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Because SRAM's Petition does not seek review of the Federal Circuit's determination that the PTO erred in its claim construction, there is no valid PTO claim construction to which the federal courts could defer. The Questions Presented are hypothetical and non-justiciable.

II. SRAM WAIVED THE QUESTIONS PRESENTED

Federal Circuit Rule 28(10) requires the parties to an appeal to state "the standard of review" in their argument. SRAM complied by offering the very proposition it now argues the Federal Circuit was wrong to accept:

> SRAM agrees that this Court's standard of review is de novo on the following issues: the District Court's claim construction rulings and the District Court's grant of summary judgment to SRAM.

Corrected Brief of Plaintiff-Appellee SRAM Corporation at 37, *SRAM Corp.*, 465 F.3d 1351 (Fed. Cir. 2006) (No. 05-1365). SRAM thus waived its Questions Presented.

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> novo. *Cybor Corp.* [*v. FAS Techs, Inc.*], 138 F.3d [1448,] at 1456 [(Fed. Cir. 1998) (en banc)].

SRAM Corp. v. AD-II Eng'g, Inc., 465 F.3d 1351, 1359 (Fed. Cir. 2006) ("*SRAM Corp.*"). Pursuant to this Court's Rule 15.2, it is noted that SRAM denies the existence of this portion of the Federal Circuit's opinion. Pet. at 11-12 ("Yet the Federal Circuit did not even discuss or interpret what the USPTO did."); *see also id.* at 7 ("no discussion of the prosecution history"); *id.* at 8 ("The Federal Circuit's opinion ignores the USPTO's prosecution history related to claim 16").

Nor did SRAM raise the Questions Presented or their legal antecedents in the district court or in the Federal Circuit until its Petition for Rehearing or Rehearing En Banc. SRAM raised no claim construction issues at all in the district court, *id.* at 26 (SRAM "never raised any claim construction issues in its opposition to AD-II's motion" for summary judgment), and instead of arguing deference SRAM argued that the claim should be construed according to the ordinary and customary meaning of its terms.[2]

SRAM falsely represents that the district court "reviewed" and "followed" the PTO's claim construction, and construed the claim "according to" the PTO's construction.[3]

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[2] Joint Appendix at A576, *SRAM Corp.* (SRAM Corporation's Memorandum in Support of Its Motion for Summary Judgment of Infringement of Claim 16 of U.S. Patent Reexamination Certificate No. B1 4,900,291 at 6, *SRAM Corp. v. AD-II Eng'g, Inc.*, 326 F. Supp.2d 903 (N.D. Ill. Sept. 12, 2003) (No. 00-CV-6675) ("The Federal Circuit held that the term 'shift actuator' of claim 16 of the Reexamined '291 patent must be construed in accordance with its ordinary meaning, *i.e.*, a mechanism that controls the changing of gears. See SunRace [*Roots Enters. Ltd. v. SRAM Corp.*], 336 F.3d [1298 (Fed. Cir. 2003] at 1302, 1307-08. The remaining terms and phrases of claim 16 of the Reexamined '291 patent, consistent with the Federal Circuit's opinion in the SunRace case, 'take on their ordinary and accustomed meanings unless the patentee demonstrated an intent to deviate from the ordinary and accustomed meaning of a claim term by redefining the term or characterizing the invention in the intrinsic record using words or expressions of manifest exclusion or restriction, representing a clear disavowal of claim scope.' Id. at 1304 (quoting Teleflex, Inc. v. Ficosa N. Am. Corp., 299 F.3d 1313, 1327 (Fed. Cir. 2002)).").

[3] Pet. at 4 ("The District Court followed that description and the USPTO's determination"); *id.* at 5 ("The Federal Circuit simply

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In fact, when the district court entered its judgment, the PTO had initiated the reexamination but had taken no action.[4] The district court was divested of jurisdiction on April 21, 2005, when the Notice of Appeal was filed. Four days later the PTO issued its first Office Action, construing the claim literally (as the Federal Circuit now requires) and *rejecting* the claim as anticipated by the prior art asserted against it in this litigation. Brief of Appellant-Defendant AD-II Eng'g, at Addendum Part 9, *SRAM Corp.* (Office Action in Ex Parte Reexamination, Apr. 25, 2005). On December 20, 2005, the PTO allowed the claim because it changed its claim con-

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disregarded that work and gave no deference to the USPTO's clear interpretation of claims and the district court's review of that claim interpretation."); *id.* at 7 ("Here, the District Court construed a claim of a patent according to the clear guidance by the USPTO after years of review in reexamination").

[4] An index and images of the documents comprising the prosecution history of the third reexamination of SRAM's '291 patent can be viewed at the PTO's website by entering its control number, 90/006,774, at http://portal.uspto.gov/external/portal/pair and clicking on the "Image File Wrapper" index heading. The Request for Ex Parte Reexamination of September 9, 2003, *id.*, argues for a plain meaning construction of claim 16 at pages 4-6. The PTO preliminarily agreed with this reading of the claim in its Order Granting Request for Reexamination of September 30, 2004, *id.* at 4-6. The PTO rejected the claim in its April 25, 2005 Office Action, *id.*, under its "plain meaning" construction of the patent claim at pages 3-5. The PTO adopted the erroneous "precision index shifting" claim construction in its Notice of Intent to Issue Ex Parte Reexamination Certificate of December 20, 2005, *id.* at page 2.

struction and adopted the erroneous "precision index shifting" construction.

By the time of the appellate argument, however, the third reexamination was complete except for the Reexamination Certificate itself, and all potentially relevant prosecution history was before the Federal Circuit. SRAM waived the Questions Presented because it had, but forfeited, the opportunity to argue below to the Federal Circuit that it should defer to the PTO's December 20, 2005 claim construction.

Finally, SRAM is barred from raising the Questions Presented because its present position is contrary to the position it took in *SunRace Roots Enters. v. SRAM Corp.*, 336 F.3d 1298 (Fed. Cir. 2003), in which the Federal Circuit also construed claim 16 of SRAM's so-called '291 patent. In *SunRace*, SRAM successfully argued for an ordinary and common construction of the claim terms (which SRAM now argues the decision below wrongly retained), and argued against the claim construction that it now argues for. *Compare SunRace*, 336 F.3d at 1302 (vacating construction of claim 16's "shift actuator" as encompassing innovative precision index feature of invention disclosed in specification), *with SRAM Corp.*, 465 F.3d at 1359 ("While SRAM strongly urges the court to interpret the claim to encompass the innovative precision index shifting feature it contends it has invented, we are powerless to rewrite the claims and must construe the language of the claim at issue based on the words used.").

III. THE PETITION LACKS LEGAL ARGUMENT AND JURISPRUDENTIAL RATIONALE

The Petition makes only a policy argument for federal judicial deference to claim constructions by the PTO. SRAM argues that this Court should "provide guidance"

because the Federal Circuit's *de novo* standard of review "is unsound policy." Pet. at 5, 9. But neither Article III nor this Court's power of review under 28 U.S.C. § 1254(1) authorizes this Court to "provide guidance" on policy questions as abstract as they are here.

The Petition is utterly devoid of substantive legal argument or analysis. For example, SRAM *never once* mentions the Administrative Procedures Act or its judicial review provision, 5 U.S.C. § 706, in which this Court has found a requirement for judicial deference in review of PTO administrative appeals of patentability determinations. *Dickinson v. Zurko*, 527 U.S. 150, 152 (1999). Instead of articulating propositions of law that this Court can actually decide, SRAM proposes that "inconsistency" in the Federal Circuit's claim construction principles "defeats the Congressional purpose in the creation of the Federal Circuit." Pet. at 6-7.

And what there is of argument in the Petition is premised entirely on fallacy. SRAM asserts that the PTO's claim constructions for patentability purposes are identical to federal court claim constructions for purposes of litigation. Pet. at 5 ("The USPTO considered the exact issue before the Federal Circuit"); id. ("the very issues involved"); id. at 11 ("the very claim construction"); id. ("this very issue").

But the two are not the same at all:

> This court already distinguishes between treatment of claims for patentability before the PTO from treatment of claims for validity before the courts. . . . This court permits the PTO to give claims their broadest reasonable meaning when determining patentability. . . . During litigation determining validity or infringement, however, this approach is inapplicable. . . . Rather the courts must consult the specification, prosecution history, prior art, and other

> claims to determine the proper construction of the claim language. . . . Thus, accommodating the demands of the administrative process and recognizing the capabilities of the trial courts, this court treats claims differently for patentability as opposed to validity and infringement.

Atlantic Thermoplastics Co. v. Faytex Corp., 970 F.2d 834, 846 (Fed. Cir. 1992) (citations omitted).

Inconsistencies between PTO and judicial constructions of the same patent claim are inevitable because the legal standards for claim construction in PTO patentability proceedings are different from those by which the federal courts construe claims in litigation.[5] The PTO construes a patent claim according to the "broadest reasonable construction" of its terms. *Am. Academy*, 367 F.3d at 1364. The federal courts begin more narrowly with the "ordinary and customary meaning" of the terms. *Phillips v. AWH Corp.*, 415 F.3d 1303, 1312 (Fed. Cir. 2005) (en banc). The federal courts systematically employ a hierarchy of claim construction principles, *id.* at 1313-19, which "it is error" for the PTO to

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[5] Finally, American Academy points to an inconsistency between the [PTO] Board's construction of the term 'user computer' and that of the district court in American Academy's litigation against Novell. . . . However, the Board is required to use a different standard for construing claims than that used by district courts. We have held that it is error for the Board to 'apply the mode of claim interpretation that is used by courts in litigation, when interpreting the claims of issued patents in connection with determinations of infringement and validity.'

In re Am. Academy of Science Tech Center, 367 F.3d 1359, 1369 (Fed. Cir. 2004) (citations omitted).

use. *Am. Academy*, 367 F.3d at 1364, 1369.[6] These substantive differences in claim construction methodology minimize the risk that a patent holder will assert broader claim coverage in litigation than what the PTO allowed. *Id.* Procedurally, the PTO construes claims in closed, administrative, *ex parte* proceedings based on evidence that would be inadmissible for claim construction purposes in the federal courts.[7]

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[6] The broad reading of claim language by the PTO minimizes the risk that patent claims will be construed during litigation to encompass subject matter beyond what the PTO understood the claim to encompass. *Am. Academy*, 367 F.3d at 1364. This is fair because patent claims can be amended during examination and reexamination. *Id.* ("Construing claims broadly during prosecution is not unfair to the applicant (or, in this case, the patentee), because the applicant has the opportunity to amend the claims to obtain more precise claim coverage.") (quoting *In re Yamamoto*, 740 F.2d 1569, 1571-72 (Fed. Cir. 1984) ("An applicant's ability to amend his claims to avoid cited prior art distinguishes proceedings before the PTO from proceedings in federal district courts on issued patents.")). Because SRAM had, but deliberately waived, its opportunity to amend the patent claim during the last reexamination to get the relief it now seeks from this Court, 35 U.S.C. § 305 (right of patent holder to amend claim during reexamination), it is not at all unfair that the Federal Circuit's decision should remain intact.

[7] *See, e.g., Solomon v. Kimberly-Clark Corp.*, 216 F.3d 1372, 1378 (Fed. Cir. 2000) ("Thus, in the more fluid environment of patent examination, an inventor's statements are relevant to determining compliance with the statute. On the other hand, when a court analyzes whether issued claims comply with 35 U.S.C. Section 112, paragraph 2, the evidence considered in that analysis should be more limited.").

Because PTO claim constructions for purposes of examining patent applications and reexamining patents do not satisfy the legal standards governing the construction of patent claims for infringement and validity purposes in litigation, the federal courts cannot defer to PTO claim constructions in the first instance. SRAM does not ask this Court to harmonize these two different claim construction methodologies, and without such harmony the Questions Presented are irrelevant.

CONCLUSION

SRAM Petition for a Writ of Certiorari to the United States Court of Appeals for the Federal Circuit should be denied.

Respectfully submitted,

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